



Western States Petroleum Association
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Catherine H. Reheis-Boyd

Chief Operating Officer and Chief of Staff

May 8, 2008

Mr. Kevin Kennedy, Chief
Program Evaluation Branch
Office of Climate Change
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: **Evaluation Criteria for AB 32 Implementation**

Dear Mr. Kennedy,

The Western States Petroleum Association (WSPA) is pleased to submit the following comments regarding "evaluation criteria" for AB 32 implementation. WSPA is a non-profit trade association representing twenty-six companies that explore for, produce, refine, transport and market petroleum, petroleum products and natural gas in six western states – California, Arizona, Nevada, Oregon, Washington and Hawaii.

WSPA member companies own and operate various types of facilities (e.g., oil and gas production properties, refineries, marketing terminals, pipelines, retail gasoline outlets, etc.) that will all be impacted by the implementation of AB 32.

At the April 25, 2008 CARB Workshop you and your staff very accurately and comprehensively outlined and discussed all the competing evaluation criteria that are required by AB 32 as you develop the Scoping Plan. You certainly have a very daunting task to meet all the technical, cost-effective, economic and non-economic evaluation mandates in AB 32.

As we have said in all our correspondence since AB 32 became law, WSPA is committed to work constructively with CARB to achieve the AB 32 Greenhouse Gas (GHG) emissions reduction goals as efficiently and as cost-effectively as possible. We have expressed support for a broad market approach to achieve GHG emission reductions at the lowest cost.

We have also emphasized repeatedly that AB 32 needs to be implemented in a way that achieves real and quantifiable emission reductions in a fair and equitable manner, to stimulate innovation and investment while protecting California's economy and its citizens.

Economic and energy policy experts agree that adequate, reliable and affordable energy supply is critical for a robust economy. We therefore urge CARB to include in its economic impact and

alternative/complimentary policies analysis an assessment of each policy's impact on the availability of adequate, reliable and affordable energy supply.

WSPA agrees with economic experts that a market-based program provides incentives for regulated entities to reduce emissions beyond required levels, and encourages participation by those outside of the program. WSPA further believes that direct command and control regulation of facilities, in lieu of or in addition to a market program, is the least cost-effective way to reduce GHG emissions.

We urge that your economic analysis evaluate the economic impacts of the major direct command and control complimentary options you may be considering, and provide an assessment of those impacts on the availability of adequate, reliable and affordable energy supply.

We also encourage CARB to consider the leakage implications of policy design options as part of their evaluation criteria for AB 32 program implementation. Leakage of GHG emissions and jobs outside of CA should be minimized in an effective AB 32 program. Overly onerous command and control policies could potentially result in higher than desirable and affordable implementation costs and leakage.

Finally, WSPA believes that beyond the big picture described above, CARB needs to design the implementation of AB 32 to be as simple and transparent as possible. It should be easy to understand and administer and most importantly, easy to comply with. As such, a reasonable implementation timeline and process, with frequent opportunities (milestones) to check progress and impacts, is critical.

Thank you for considering our comments. We look forward to working with you and CARB staff to ensure that AB 32 is implemented in a cost-effective and technically feasible manner, and with the least disruption to energy supply and minimal impact to the state's economy.

If there are any questions, please do not hesitate to contact me at 916-498-7752.

Sincerely,

A handwritten signature in blue ink, reading "Cathryn A. Boyle". The signature is fluid and cursive, with the first name "Cathryn" and last name "Boyle" clearly legible, and "A." as a middle initial.

cc: Linda Adams
Cindy Tuck
Mary Nichols
CARB Board Members
Chuck Shulock
Edie Chang
Stephen Shelby
Joe Sparano - WSPA